

Statement on FY2001 MarAd Authorization Bill
Senator Olympia J. Snowe
May 16, 2000

Mr. Chairman, I thank you for scheduling this hearing, and I would like to speak briefly on the Maritime Administration reauthorization and key maritime issues.

MarAd oversees the operations of U.S. Government-supported maritime promotion programs, such as the Maritime Security Program, the state maritime academies and the U.S. Merchant Marine Academy. My home state of Maine, of course, is a maritime state, and we have a maritime academy, the Maine Maritime Academy in Castine, which is very important to the state.

I also have an important shipyard in my state, Bath Iron Works, which is the largest employer in the state, so I am very interested in the Title XI shipbuilding loan guarantee program. The program makes it easier for shipowners and builders to obtain private financing for ship construction and fleet improvements in U.S. shipyards.

Each Title XI dollar generates an estimated \$20 in private capital for shipbuilding projects. However, only \$6 million was appropriated for these guarantees in FY00 and FY99. Many in the maritime industry believe that this level is inadequate. Since it was revived in 1994, the \$40 to \$50 million-a-year authorization-level program has generated over \$2.1 billion in new U.S. commercial shipbuilding orders, and some 260 vessels have been built.

In order to remain viable, the shipyards upon which the U.S. Navy depends must capture commercial shipbuilding orders if they are to survive to meet the expected future demands for Navy shipbuilding. As U.S. shipbuilders restructure to capture commercial orders, their first market focus is construction of ships for the Jones Act trade. Construction of ships for this trade may enable U.S. yards to establish a series production so that they can in turn be competitive in building ships on the international market.

My hope is that as the legislative process continues, we can find a way to increase the appropriations for the Title XI program.

I also have serious reservations about a provision in this bill that would waive the current cargo preference three year waiting period for vessels newly re-flagged in the U.S. Current cargo preference law reserves most food aid to U.S.-owned, -built, and -crewed vessels. It allows the use of foreign built ships for government-impelled cargo, such as food aid, but only after a three year waiting period.

I am aware that there has been a significant increase in the amount of U.S. food aid – the Administration announced a large allocation of food aid for Russia and Indonesia, for example. However, foreign aid must not come at the expense of U.S. shipyards and their workers.

The waiver in this bill would permit U.S. companies to buy foreign built ships at rock bottom

prices, as a result of the Asian financial crisis. Asian shipyards are no doubt more than willing to dump their ships on the U.S. market. A similar “one year” waiver in 1981 was later extended to five years and resulted in orders for additional foreign built ships, so I would urge caution on this matter.

In closing, I am hopeful that the Administration and our witness panels here today will also comment on what policies or initiatives we can consider that will grow and incentivize commercial shipbuilding at our nation’s major shipyards, including efforts to incentivize the development of a domestic cruise industry with cruise vessels built in the U.S. by American workers. I am very interested in what Congress can do legislatively to encourage the growth of this industry in such a way that the benefits, economic and otherwise, accrue to U.S. ports, shipyards, and workers.

Our nation has always been dependent upon the sea and has enjoyed a rich maritime tradition. Our merchant marine remains an integral part of our culture and our economy. Today, one out of every six jobs in the United States is marine related. America’s ports support more than 95 percent of all our overseas foreign trade, and within the U.S., more than one billion tons of commercial cargo is transported by ship each year. We must do all that we can to preserve our maritime legacy for future generations, and programs and issues under MarAd’s purview are key to this.

Again, I thank the Chair, and look forward to hearing from our witnesses. Thank you, Mr. Chairman.